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NPTA MANAGEMENT NEWS

APRIL 1990

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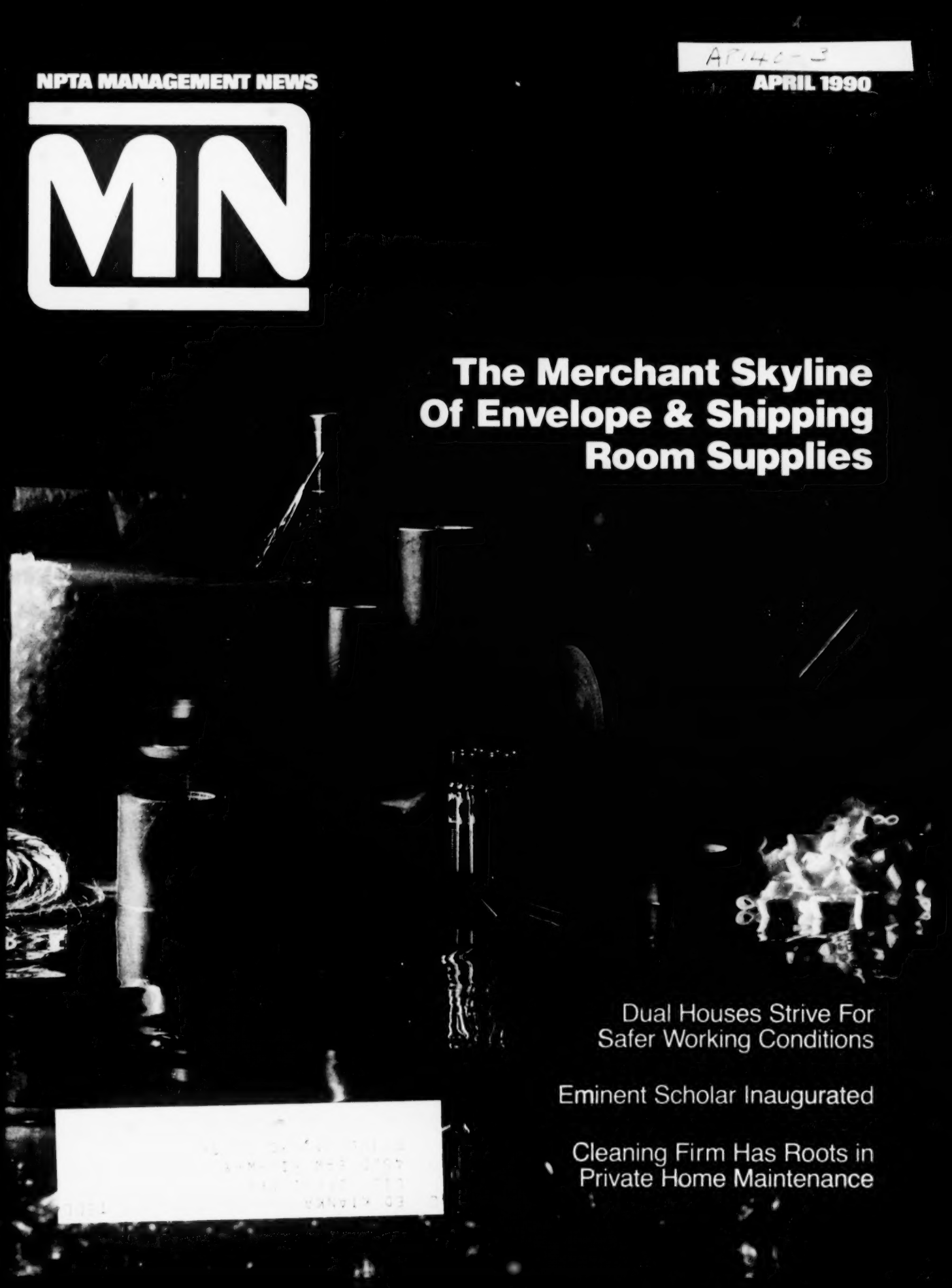
The Merchant Skyline Of Envelope & Shipping Room Supplies



Dual Houses Strive For Safer Working Conditions

Eminent Scholar Inaugurated

Cleaning Firm Has Roots in Private Home Maintenance

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NPTA MANAGEMENT NEWS

VOL. XXXI/NO. 4
Published by
National Paper Trade Association, inc.

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NPTA Management News (ISSN 0739-2214) is published monthly by the National Paper Trade Association, inc., at a subscription rate of $15 per year. Second-class postage PAID at Great Neck, NY, and additional mailing office. POSTMASTER: Send address changes to *NPTA Management News*, 111 Great Neck Road, Great Neck, NY 11021. 516-829-3070. Statements of fact and opinion are the responsibility of the authors alone and do not imply approval on the part of NPTA or its member companies. Copyright 1988 by the National Paper Trade Association, inc. Articles may not be reprinted without the publisher's permission. Please address all inquiries to the Editor. Original manuscripts and letters are welcome.

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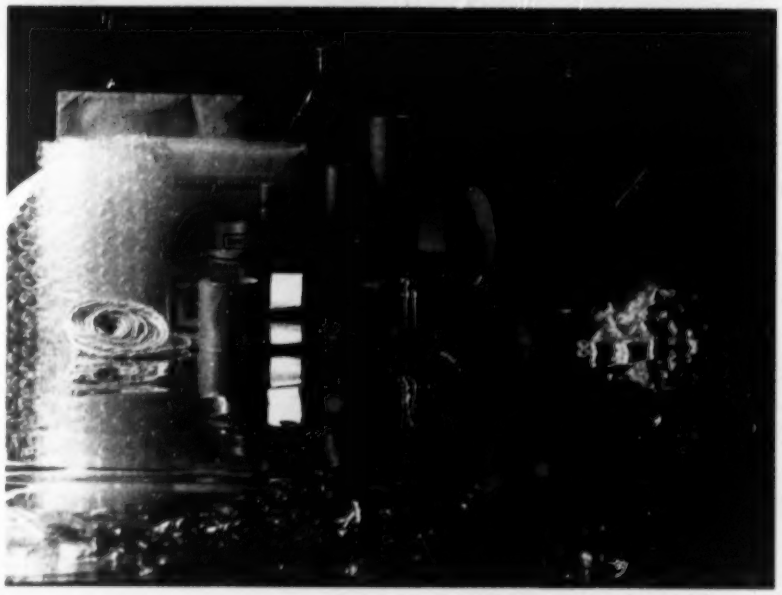

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Cover Photo: Richard Chesnut

Postage Rise, Service Demands Alter Envelope Selling, Buying Habits

Expect smarter mailing procedures from end-users, new packaging formats from converters.

by Joan Prevete O'Donnell, Staff Writer

The increase in postage rates recently proposed by the U.S. Postal Service more than likely will trigger certain changes in the public's mailing habits and therefore its selection of envelopes and shipping sacks, according to suppliers of these items.

But that's not the only factor affecting how and what envelopes are sold. Because paper merchants consider convenience and quick delivery high priorities, converters are reconfiguring their packaging strategies and creating new programs that focus on timely service and education.

What's more, the advent of electronic mail and facsimile machines has had little impact on postal volume and envelope sales. In fact, in at least one case, the technology has sparked new envelope product introductions.

Last month, the U.S. Postal Service announced it was seeking a rate boost from 25–30 cents for first class mail. The Postal Rate Commission will take 10 months to rule on the proposal, accepting testimony from interested parties during the commission's scheduled hearings. If the request is accepted, the rate will go into effect in February 1991.

Regardless of what next year's rate will be, mail in all forms continues as ever. Last year, the Postal Service handled 85.8 billion pieces of first class mail; 10.5 billion pieces of second class items; and 62.7 billion pieces of third class mail (including bulk rate and the various categories of presorted items).

Furthermore, the government agency promises speedier service when it moves to fully automated processing via bar coding by 1995. As it stands now, 40% of first class mail already is handled in this manner.

Envelope Sales On Upward Curve

Envelopes have shown strong growth during the past decade. In 1980 annual sales were valued at $1.56 billion; '89 estimates for shipments were $2.73 billion, according to the Envelope Manufacturers Association of America. (See box, page 00.)

Nevertheless, some envelope converters maintain that the public may adjust its mailing practices to offset the expected rate jump. According to Joe Zoshak, marketing manager for American Fiber-Velope Manufacturing, Collingdale, PA, businesses and individuals will "mail smarter. People will start consolidating their mail. Instead of mailing every day, you'll see them sending every second or third day." Envelopes made of Tyvek, such as those produced by American Fiber-Velope, or other lightweight material may be the big winners here, he said, because they can hold the increased weight.

End-users may also consider buying a cheaper, lighter envelope to cut expenses, observed other suppliers. White wove or less expensive felt may become the material of choice for cost-conscious customers.

Still others liken the impending postal rate rise to the price hikes of other commodity items and services over the past two decades. "I don't see any detrimental effect," said Alan Castle, president of PolyAir, Toronto, referring to the impact on envelope sales. "It's like the increase in gasoline prices. Everyone reacts [unfavorably] to the increase initially. But then 1 everyone goes back to using the product."

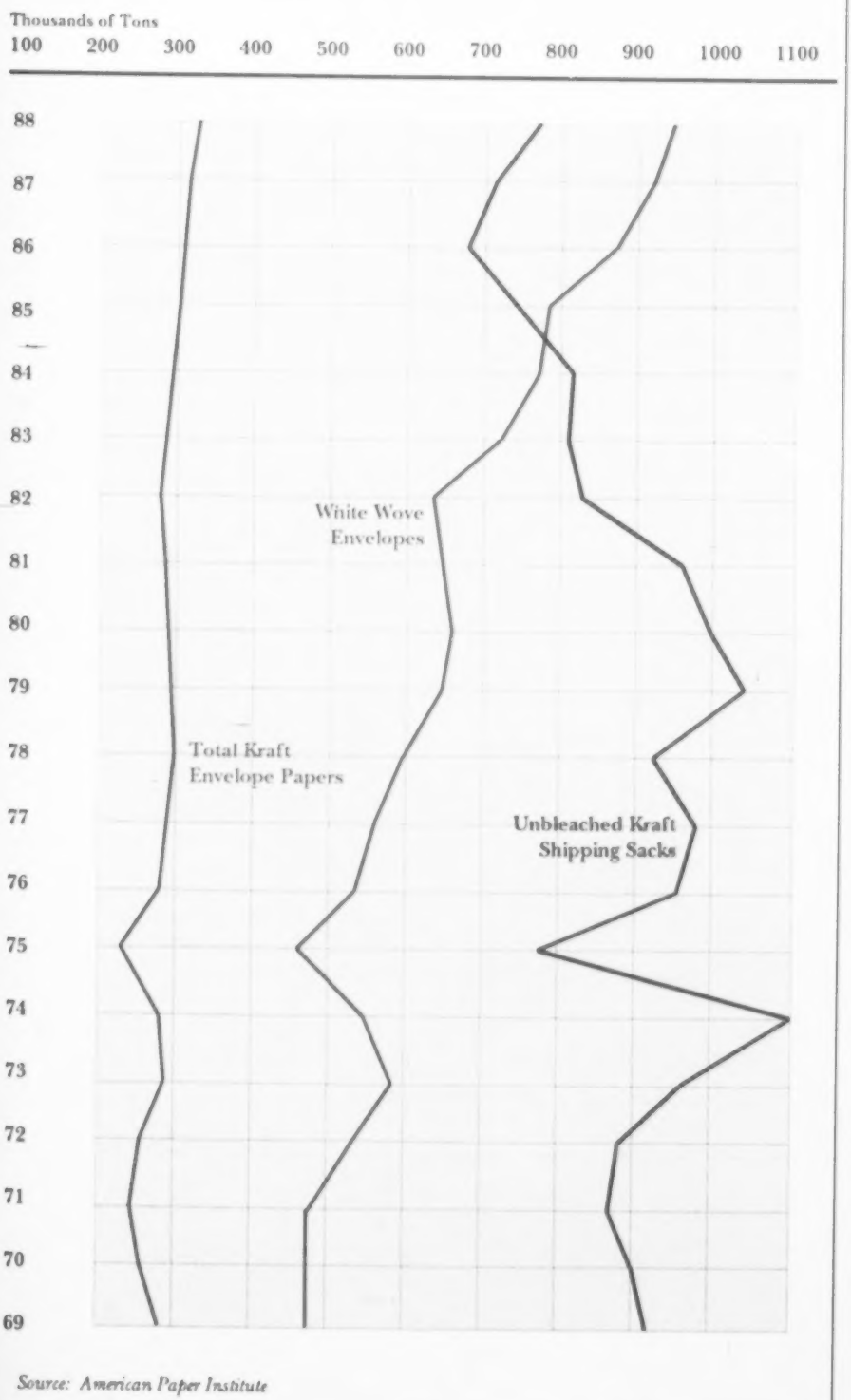
New Packaging Concepts

In keeping with their emphasis on service, converters are rethinking their ideas about packaging to please space-conscious merchants. Leader Cards, for instance, is packing its announcement-size envelopes in cartons of 1,000, instead of the routine 2,500 that were loaded in the past. Even shipping sacks that are stuffed 250 per box, such as PolyAir bubble-filled bags, can be shrink-wrapped in bundles of 25 and 50 for easier selling and storage.

"For distributors, it comes down to who's the most convenient supplier," said Rick Zaffiro, marketing manager for Leader Cards, Milwaukee.

Envelope & Shipping Sacks: Shipments

20 Year Trend



Source: American Paper Institute

This smaller packaging trend will continue, converters noted, in order to support a new breed of customer—cash-and-carry stores, so called mega-stationery stores such as Staples, catalog outfits and quick print shops. These outlets have obtained popularity with small businesses and they in turn have gained access to cheap desk top printers and personal computers. "Retailers simply don't have the warehouse space to carry boxes of 2,500 envelopes," noted Zaffiro.

As a result, fast turnaround has become critical. "Today, it's up to us to stock and deliver quickly," said Fiorella Ogiba, advertising/sales promotion manager for Old Colony Envelope Co., Westfield, MA. "Many of the orders that are placed must be shipped the same day."

To maintain customer satisfaction, Old Colony has implmented a program called Special Overnight Service—SOS. For a nominal charge, a merchant or the merchant's customer that places an order in the afternoon can receive the merchandise by 10:30 a.m. the next day. Shipment is handled via Federal Express, through a special arrangement. A special computer linkage to Federal Express, installed at Old Colony, provides complete tracking of S.O.S. orders throughout the Federal Express system.

Converters also are helping to educate merchants through training sessions and other efforts. Leader Cards, for example, holds sales meetings with its merchant partners and offers promotion pieces that explain the importance of envelope sales to both distributors and end-users. "An envelope is a value-added product," explained Zaffiro. "It comes down to the image the end-user wants to portray. If he or she has a proprietary grade sheet but uses a generic white wove envelope," the effect is lost.

The burgeoning use of technology has had little impact on envelope sales, according to suppliers. In fact, some believe that the fax has caused somewhat of an information glut. One of the reasons for this, some observers maintain, is that office workers, in their effort to confirm data sent in this relatively new electronic format, use paper and envelope to duplicate the same message through the mail.

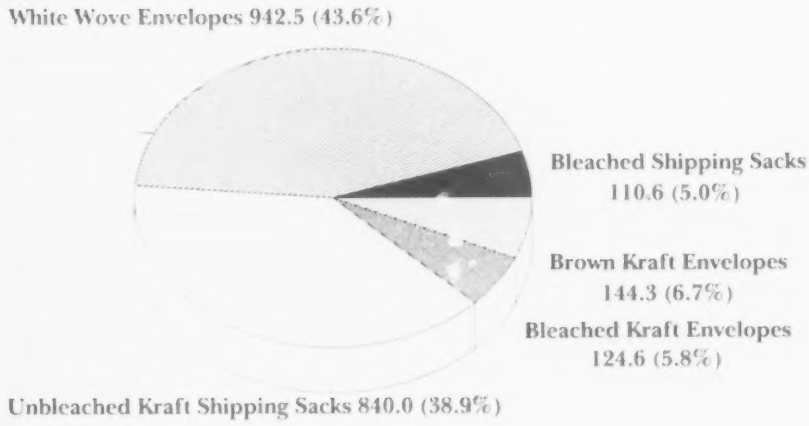
However, at least one envelope product has emerged as a result of the fax

machine's popularity. American Fiber-Velope has developed a fax message routing envelope. According to Zoshak, the envelope is used to send the electronically-received message to the recipient, protecting confidentiality and cutting unproductive waiting time near the machine. As Zoshak put it: "When life hands you lemons, you make lemonade."

Technology in the form of laser printers has had an impact on envelopes, at least in terms of product development.

Shipments: Envelope & Shipping Sacks - 1988

Thousands of Tons


White Wove Envelopes 942.5 (43.6%)
Bleached Shipping Sacks 110.6 (5.0%)
Brown Kraft Envelopes 144.3 (6.7%)
Bleached Kraft Envelopes 124.6 (5.8%)
Unbleached Kraft Shipping Sacks 840.0 (38.9%)

Source: American Paper Institute

About EMAA

The Envelope Manufacturers Association of America (EMAA), Alexandria, VA, is a 57-year-old association representing the interests of the U.S. commercial envelope industry.

Association membership includes 81 Regular (envelope manufacturing) members accounting for approximately 65% of the U.S. envelope market, and 50 Associate members who are suppliers of materials and services to the industry. Recently, the Association added a new membership category, Foreign Affiliate, thereby recognizing the global market and the need to keep in contact with envelope manufacturers on other continents. A firm in Australia has become EMAA's first foreign affiliate.

EMAA offers a variety of services and products such as liaison with the U.S. Postal Service, statistics about the industry, interaction among all membership categories, training courses and videotapes for production personnel and semi-annual meetings for educational and networking opportunities.

For more information concerning EMAA, call 703-739-2200.

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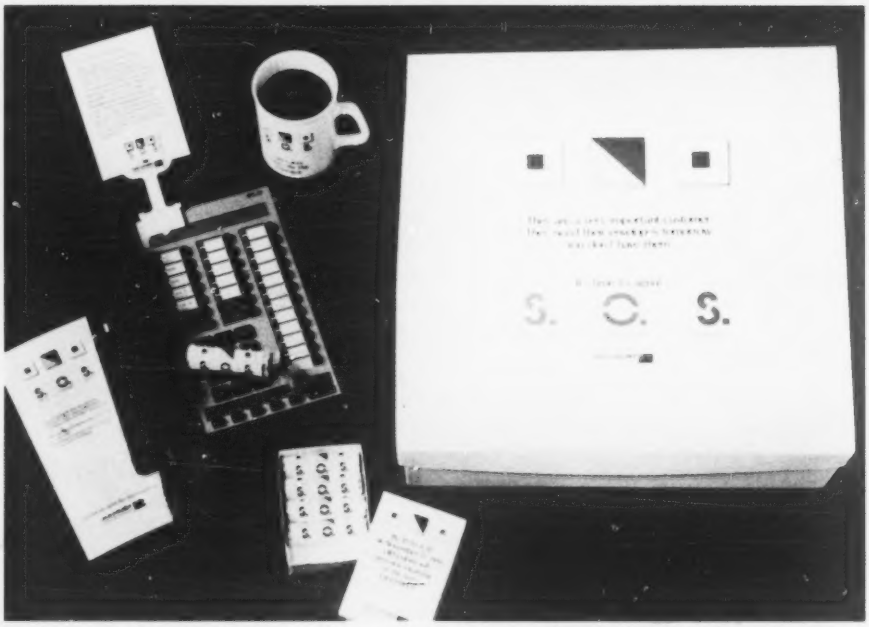

To keep up with the challenge of increasing customer demands, Old Colony Envelope has instituted the Special Overnight Service (SOS) program—where, for a small charge, merchants can receive overnight service with their orders.

Envelopes Flourish In the Face of Competitive, Postage Rate Obstacles

by Sue Kalish, Manager, Industry Research Programs, Envelope Manufacturers Association of America

The 1980s was a growth decade for the envelope industry, despite the increased use of electronic mail machines, consumer resistance to third-class direct mail advertising and high domestic postal and shipping rates.

In 1980, annual envelope sales were valued at $1.56 billion, while in 1989 estimates for shipments were $2.73 billion. (The 1989 estimate for envelopes shipped from manufacturers was 161 billion units.) During the 1980s, the industry experienced only two "slow" periods of growth: 1982, due to the U.S. economic recession, and 1989, in conjunction with the sluggishness of the economy and the result of the postal rate increase which took effect in April 1988.

The U.S. envelope industry is a mature one, originating in the early 1800s with the first envelopes handmade with a pocket knife or shoemaker's knife and sold by stationery stores. Today, in order to keep competitive both within the industry itself and with other types of mailable formats and communication methods, the industry must meet the competitive challenge by exhibiting creativity in design and utility, producing excellent graphics, and offering a selection of paper stocks (such as lower weight stock for lower postal costs, coated stock and colors) and synthetic base materials.

During the 1990s the industry will continue to work closely with the U.S. Postal Service to:

- Ensure that envelope manufacturers and their mailing customers are heard as new postal rates and regulations are proposed;
- Support the introduction of automated sorting equipment, which enables faster mail delivery; and
- See that third class mail receives the consideration it deserves as an important advertising medium, since direct mail advertisement was the strongest growth segment of the envelope industry during the past decade.

More often than not, the heat generated from these machines seals the envelopes shut as they pass through. Envelope converters and gum suppliers are putting their heads together to alleviate the problem, and some strides already have been made, they added. Furthermore, printer manufacturers are working to reduce the heat's intensity while still maintaining product quality.

Moveover, laser and impact printers are creating a demand for smoother paper, according to converters. Wovens always have been compatible with this office equipment due to its flat finish. However, laids, long a problem in lasers due to its texture, have been improved for machine use, said Zaffiro, and will give wovens a run for their money.

Envelope sizes will remain fairly constant. In fact, to help manage inventory levels and improve delivery time, many sizes are being "weeded out," said Zaffiro. Years ago baronials came in 30 sizes, he recalled. Stocking all of these was next to impossible, creating back-orders and unacceptable waiting periods. Fewer sizes, therefore, means there's a greater chance the supplier will have it in-house, triggering faster delivery for the merchant.

Envelopes for business correspondence and announcements will remain white or light pastels. (The U.S. Postal Service has strict regulations prohibiting dark colored envelopes, which obscure the bar code ink sprayed on mail pieces during processing.) Ogiba from Old Colony predicted a demand for "very bright white, with a 96 or 98 brightness." As for shipping sacks, American Fiber-Velope plans to launch a line of Tyvek mailers tinted in grey and blue, according to Zoshak.

And converters are always seeking out new product ideas. American Fiber-Velope has a new diskette mailer in the works, said the marketing manager. Made of Tyvek material, the envelope includes a pouch inside for hard copy that separates and thereby protects the sensitive computer file.

Whatever the outcome of the postal rate increase proposal, envelope converters will continue to seek their own market niches and create new opportunities.

Dual Houses Strive for Safer Working Conditions

Statistics from NPTA's Worker Safety Reporting Program reveal that dual distributors have slashed the number of work-related injuries at their shops.

Dual merchants seem to be making strides in improving working conditions, according to statistics from a new study by NPTA.

Over the first six months of 1989, dual distributors recorded 6.1 illnesses or injuries per 100 employees. This contrasts with 11.5 illnesses or injuries per 100 workers tracked during 1988.

TABLE I
Number of Firms Participationg

	All 1988	Jan–June 1989
Printing	23	27
Industrial	33	54
Dual	43	40
TOTAL	99	121

Printing paper merchants apparently are striving to make the workplace safer as well. From January to June of '89, printing paper merchants reported 9.4 illnesses or injuries per 100 workers. In 1988, these types of firms recorded 11.4 illnesses or injuries per 100 employees.

Industrial paper merchants, meanwhile, haven't fared nearly as well. This industry segment surpassed its 1988 illness/injury total during the first six months of 1989. Through January to June 1988 industrial distributors recorded 14.4 illnesses or injuries per 100 employees. This same group reported 12.2 illnesses or injuries per 100 employees in all of 1988.

Study Based on OSHA Reports

NPTA's Worker Safety Reporting Program is based on the tabulations of the OSHA (Occupational Safety and Health Administration) LOG200 reports for six-month periods. The association's Human Resources Committee began this work in 1988, gathering data for that period. Starting last year, information was collected on a six-month interval basis. The latest report is based on information from the first half of 1989. Data collection sheets already have been mailed to record the information for the latter half of '89.

TABLE II
Number of employees represented

Printing	1,643	3,269
Industrial	3,326	4,080
Dual	8,589	11,676
TOTAL	13,558	19,025

TABLE III
Number of illness or injuries per 100 employees

Printing	11.4	9.4
Industrial	12.2	14.4
Dual	11.5	6.1
TOTAL	11.7	10.8

The number of firms participating in the data collection has grown by 23%. The information provided in this article is based on the returns of 121 companies, covering 19,025 employees. The number of workers represented by the report has increased by 40.3%.

TABLE IV
Incidence of injuries per 100 employees resulting in time away from work or restricted duty.

	January–June 1989*
Printing	5.7
Industrial	8.4
Dual	5.7
TOTAL	6.3

*comparable data not collected for 1988.

Injuries involving days away from work or restricted duty are the most significant component of the worker safety issues, according to human resource experts. Table IV indicates that for every 100 full time employees 6.3 of them had injuries that resulted in time away from work or restricted duties at work. Printing and dual merchants had the same low incidence rate of 5.7 per 100 employees. But industrial paper distributors

were once again high with 8.4 employees per 100.

When injuries resulting in days away from the office (Table V) are separated from days away and restricted duty (Table IV), we see that days away are a much more significant part of worker injuries.

Illnesses resulting in lost time or restricted duty are much less of a problem for paper merchants than injuries. Statistics show that for all types of merchants fewer than 1 employee per 100 have illness-related problems.

TABLE V

Incidence of injuries per 100 employees resulting in time away from work only.

	January–June 1989*
Printing	5.4
Industrial	6.6
Dual	5.5
TOTAL	5.7

*comparable data not collected for 1988.

Work in Three Phases

The Human Resources Committee's purpose in collecting this data is based on three phases:

- Phase I is to develop a base line of information on the levels of worker safety in the paper and plastics distribution industry;
- Phase II is to develop programs to reduce the levels of injuries and illnesses in the workplace; and
- Phase III is to present the data and evidence of improvement to member insurance companies for reduction of casualty, liability and worker compensation insurance.

TABLE VI

Incidence of illnesses for 100 employees resulting in time away from work or restricted duty.

Printing	.8
Industrial	.7
Dual	.3
TOTAL	.5

comparable data not collected for 1988.

Because the benefits would be industry wide, the Human Resources Committee urges that every member submit data to develop a broad information base. Every member firm must keep records on accidents and injuries via OSHA LOG200, according to federal law. The OSHA LOG200 is also the basis for the association's Worker Safety Reporting Program. If you are not keeping an OSHA LOG200 and want to know more about it, contact your local OSHA office or call John Buckley, NPTA president, at association headquarters—516-829-3070.

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